

FISCAL NOTE

SB 1933 - HB 1421

March 19, 2007

SUMMARY OF BILL: Enacts the “Competitive Cable and Video Services Act.” Requires any entity or person seeking to provide cable or video services over a cable system or video service network to file application for a state-issued certificate of franchise authority with the Secretary of State (SOS). The cost shall be \$150 per application and any such certificate granted by the SOS shall be fully transferable.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Net Impact - \$12,497,000
Increase State Expenditures - \$69,000 Recurring
\$16,000 One-Time

Decrease Local Govt. Revenues - \$2,250,000

Other Fiscal Impact – Additional changes to local government revenues of unknown amounts. Any such changes could result from changes in property tax revenues and franchise fees. However, these changes are dependent upon multiple unknown factors and cannot be measured or reasonably quantified.

Assumptions:

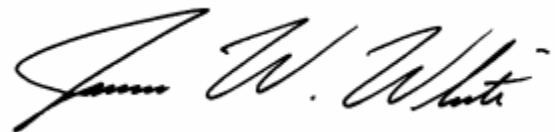
- According to the Secretary of State, South Carolina implemented the South Carolina Competitive Services Act in 2006 (SCCSA). The SCCSA required cable franchise applications to be filed with the South Carolina Secretary of State. To date, South Carolina has received 24 applications.
- Based on the number of applications filed in South Carolina, the number of cable or video service providers that will apply for certificates of franchise authority in Tennessee is estimated to be twenty (20) for FY07-08.
- Application fee proposed is \$150 per entity.
- The increase to state revenues resulting from new application fees is estimated to be \$3,000 for FY07-08 (20 X \$150 = \$3,000).

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- Due to market saturation and the transferability of such state-issued certificates of franchise authority, any increase to revenues resulting from additional application fees in subsequent fiscal years is estimated to be not significant.
- One (1) Filing Officer for the Office of Secretary of State for document filing and scanning, data entry and retrieval, and customer service.
- The increases to recurring and one-time state expenditures related to the additional position are estimated to be \$69,000 and \$16,000 respectively.
- According to the Department of Revenue (DOR), cable services rendered by traditional cable service providers are currently sales taxable services. However, as any such services shift from cable service providers to video service providers, as defined in this bill, those services will become tax-exempt services.
- Due to the competitive advantage of being able to offer services at lower overall rates to end-users by not paying sales taxes, 25% of taxable cable services currently offered by traditional cable service providers are estimated to shift to tax-exempt services offered by video service providers.
- According to DOR, approximately \$50,000,000 and \$9,000,000 in sales tax revenues are collected each year by state and local governments respectively from cable service providers.
- The decrease to state sales tax revenues is estimated to be \$12,500,000 per year ($\$50,000,000 \times 25\% = \$12,500,000$).
- The decrease to local government revenues is estimated to be \$2,250,000 per year ($\$9,000,000 \times 25\% = \$2,250,000$).
- According to the Office of the Comptroller, this bill is not expected to increase departmental expenditures by a significant amount.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director